

Hearing Officer Notice Soliciting Comments on
Whether the Department Should Open an Investigation
to Establish an Instate Universal Service Fund.
D.T.E. 03-45

**RICHMOND CONNECTIONS INC. dba RICHMOND NETWORKX
RESPONSE TO FIRST SET OF INFORMATION REQUESTS OF THE
MASSACHUSETTS DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

DTE-1-1 Please support your assertion that an in-state universal service fund is necessary for competitive local exchange carriers to compete for residential customers in Zone 4 by providing an analysis of your revenues and costs for a typical residential customer relative to Verizon's basic exchange rates.

RESPONSE: For balanced competition to occur, the price paid for underlying components of their network, plus a mark-up for administrative and other retail expenses must be less than the price required to convince a customer to switch service providers. In general, the highest revenue a CLEC could expect would be the equivalent Verizon retail rate. TELRIC pricing should provide the lowest possible cost a CLEC could expect to incur. The following table illustrates this comparison of Verizon retail rates to the wholesale network elements. This is consistent with the methodology used in D.T.E. 01-31-Phase II to assess the potential for Verizon to create a price squeeze that would stymie competition within Massachusetts.

Verizon Retail Rates	Metro	Urban	Suburban	Rural
Dial Tone Line Charge	\$ 12.36	\$ 12.36	\$ 12.36	\$ 12.36
Federal Subscriber Line Charge	\$ 6.44	\$ 6.44	\$ 6.44	\$ 6.44
Unlimited local usage	\$ 6.94	\$ 6.94	\$ 6.94	\$ 6.94
Total Retail Charges	\$ 25.74	\$ 25.74	\$ 25.74	\$ 25.74
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Verizon Wholesale Rates	Metro	Urban	Suburban	Rural
Unbundled loop	\$ 10.81	\$ 11.37	\$ 15.41	\$ 24.32
Unbundled port	\$ 2.22	\$ 2.22	\$ 2.22	\$ 2.22
Unbundled switching (600 mou)	\$ 0.93	\$ 0.93	\$ 0.93	\$ 0.93
Unbundled cost to CLEC	\$ 13.96	\$ 14.52	\$ 18.56	\$ 27.47
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Applying Verizon retail markup	24.99%	24.99%	24.99%	24.99%
CLEC Costs	\$ 17.45	\$ 18.15	\$ 23.20	\$ 34.33
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Verizon retail vs CLEC cost	\$ 8.29	\$ 7.59	\$ 2.54	\$ (8.59)

This methodology was employed by Richmond Networkx in arriving at the conclusion that a universal service mechanism would be an appropriate way to reduce the Verizon rural price squeeze problems presented by the interaction of deaveraged wholesale prices and averaged retail prices.

PREPARER: Christa M. Proper